

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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FISCAL IMPACT STATEMENT

LS 7046

BILL NUMBER: HB 1400

NOTE PREPARED: Jan 16, 2014

BILL AMENDED:

SUBJECT: Companion Animal Sterilization Program.

FIRST AUTHOR: Rep. Lawson L

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
☐ **FEDERAL**

IMPACT: State

Summary of Legislation: *Companion Animal Sterilization Program and Fund:* This bill establishes the Indiana Companion Animal Sterilization Fund and the Indiana Companion Animal Sterilization Program under the administration of Spay-Neuter Services of Indiana, Inc., to provide at no charge to a Medicaid recipient spaying or neutering services for a dog or a cat owned or harbored by the Medicaid recipient. It provides that the fee imposed on sales of unsterilized cats and dogs at retail and the increases in the pet food inspection fee are paid into the fund. The bill also appropriates money in the fund.

Income Tax Checkoff: The bill adds the fund as a charitable purpose to which an individual may choose to give all or part of the individual's income tax refund.

Various Fees: The bill imposes a fee of \$50 on the sale of an unsterilized cat or dog at retail. It also increases the fee collected from distributors of pet food paid annually for inspection of pet food sold in packages of 10 pounds or less from \$50 to \$80.

Effective Date: July 1, 2014.

Explanation of State Expenditures: *Department of State Revenue (DOR):* The DOR will incur additional expenses to revise tax forms, instructions, and computer programs to reflect the new income tax checkoff proposed by this bill. DOR would also be required to administer the collection of the Companion Animal Sterilization Service Fee. The DOR's current level of resources should be sufficient to implement this change.

Companion Animal Sterilization Fund: This bill establishes the Companion Animal Sterilization Fund and provides that the fund will consist of appropriations by the General Assembly, donations, federal grants or

other federal appropriations, fees and penalty revenue, interest and other earnings, and money reserved for refund claims. The fund's purpose is to provide spaying or neutering services at no charge to a Medicaid recipient for companion animals owned or harbored by the recipient. Money in the fund remaining at the end of a state fiscal year will not revert to the state General Fund. The fund and program will be administered by the Spay-Neuter Services of Indiana, Inc., which is a nonprofit organization. The bill provides that the administering entity may not expend more than 15% of the fund annually for administrative costs.

Explanation of State Revenues: *Income Tax Checkoff:* The bill establishes a checkoff for income tax refunds to be designated to the Companion Animal Sterilization Fund. The checkoff applies beginning in tax year 2014. As a result of these circumstances, any fiscal impact likely would not arise before FY 2015. The number of taxpayers with refunds who may select the Companion Animal Sterilization Fund checkoff and the amounts such taxpayers may direct to the checkoff are indeterminable. However, it could potentially reduce the amount that would otherwise be designated by taxpayers to the Indiana Nongame Fund and for use in funding K-12 public education. These are the only income tax refund checkoffs that exist under current statute. In tax year 2011, the Indiana Nongame Fund received about \$335,000 from refunds on 21,000 returns. The checkoff for funding K-12 public education will not be available until tax year 2015.

Companion Animal Sterilization Service Fee: This bill charges a fee of \$50 for each purchase of an unsterilized companion animal. The fee is to be collected by retail merchants at the point of sale and will be excluded from the Sales Tax. Retail merchants who remit the fees in a timely manner are entitled to deduct and retain a collection allowance from the amount of fees generated. The DOR will deposit the fees remitted by retail merchants in the Companion Animal Sterilization Fund.

Pet Food and Specialty Pet Food Annual Inspection Fee: This bill raises this fee from \$50 to \$80, and distributes the additional \$30 of the fee to the Companion Animal Sterilization Fund and provides that \$50 will still be distributed to Purdue University, as is required under current law. According to the State Chemist's office, about \$583,000 was collected during 2012. This would have translated into about \$349,800 generated for distribution to the Companion Animal Sterilization Fund from this fee.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected:

Local Agencies Affected:

Information Sources: Legislative Services Agency, *Indiana Handbook of Taxes, Revenues, and Appropriations*, FY 2013; Robert Geiger, Office of the Indiana State Chemist, 765-494-1551.

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